

TURNERS FALLS FIRE DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2015

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Prudential Committee
Turners Falls Fire District
Turners Falls, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Turners Falls Fire District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Turners Falls Fire District, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melanson Heath

February 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Turners Falls Fire District, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities include general government, public safety, and water.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$4,673,569 (i.e., Net Position), an increase of \$106,870 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$493,194, a decrease of \$(645,609) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$662,194, an increase of \$154,012 in comparison with the prior year.
- Total long-term debt (i.e., notes and loans payable) at the close of the current fiscal year was \$951,443, a decrease of \$(25,487) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 1,418,644	\$ 1,304,188
Deferred outflows	7,290	-
Capital assets	<u>7,045,872</u>	<u>6,279,237</u>
Total Assets	8,471,806	7,583,425
Long-term liabilities outstanding	2,946,759	1,894,131
Other liabilities	<u>851,478</u>	<u>100,576</u>
Total Liabilities	3,798,237	1,994,707
Net position:		
Invested in capital assets, net	5,388,985	5,302,307
Restricted	508,340	556,610
Unrestricted	<u>(1,223,756)</u>	<u>(270,199)</u>
Total Net Position	<u>\$ 4,673,569</u>	<u>\$ 5,588,718</u>

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 676,795	\$ 607,292
Operating grants and contributions	33,650	12,858
Capital grants and contributions	34,571	-
General revenues:		
Property taxes	1,926,667	1,896,056
Penalties and interest on taxes	14,265	13,584
Investment income	2,821	1,622
Loss on sale of asset	(9,633)	-
Other	<u>5,594</u>	<u>21,084</u>
Total Revenues	2,684,730	2,552,496
Expenses:		
General government	620,530	682,757
Public safety	1,150,861	1,160,832
Public works	578,903	563,467
Interest	37,345	38,000
Unallocated depreciation	<u>170,221</u>	<u>180,671</u>
Total Expenses	2,557,860	2,625,727
Change in net position before transfers	126,870	(73,231)
Transfer (out)	<u>(20,000)</u>	<u>-</u>
Change in net position	106,870	(73,231)
Net position - beginning of year, as restated	<u>4,566,699</u>	<u>5,661,949</u>
Net position - end of year	<u>\$ 4,673,569</u>	<u>\$ 5,588,718</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$4,673,569, a change of \$106,870 from the prior year.

The largest portion of net position \$5,388,985 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$508,340 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(1,223,756).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$106,870. Key elements of this change are as follows:

- General fund operations, as discussed further in section D \$108,105.
- Water fund expenditures over revenues \$(769,931).
- Special revenue fund revenues over expenditures \$16,217.
- Depreciation expense in excess of principal debt service expense \$(162,888) and reversal of loan proceeds from revenue of \$(70,000).
- Capital asset additions funded by general revenue, special revenue and water surplus of \$1,025,009.
- Current year change in net pension liability, net of deferred outflows of \$57,540.
- Current year change in other post-employment benefits liability \$(90,599).
- Other GAAP accruals \$(6,583).

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$493,194, a change of \$(645,609) in comparison with the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 108,105
Water fund expenditures in excess of revenues	(769,931)
Special revenue fund revenues in excess of expenditures	<u>16,217</u>
Total	<u>\$ (645,609)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$662,194, while total fund balance was \$690,298. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% of Total 2015 General Fund Expenditures</u>
General fund - unassigned	\$ 562,249	\$ 418,417	\$ 143,832	30%
Stabilization fund	<u>99,945</u>	<u>89,765</u>	<u>10,180</u>	<u>5%</u>
Total unassigned	662,194	508,182	154,012	35%
Total fund balance	690,298	582,193	108,105	37%

The total fund balance of the general fund changed by \$108,105 during the current fiscal year. Key factors in this change are as follows:

Non property tax revenues under budget	\$ (4,748)
Excess (shortfall) of property tax collections	92,945
Expenditures less than budget	80,451
Use of fund balance as a funding source	(40,304)
Expenditures in the current year, funded by a previous year budget	(53,707)
Current year expenditure carryforwards to be expended in a subsequent year	28,104
Stabilization interest income	180
Adjust for budgeted transfer between Stabilization and General fund eliminated through consolidation	10,000
Other GAAP accruals	<u>(4,816)</u>
Total	<u>\$ 108,105</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget result in an overall increase in appropriations of \$40,304 for the following reasons:

- \$10,000 Transfer to stabilization fund
- \$20,000 Transfer to OPEB trust fund
- \$10,304 Appropriations for fire alarm system and fire equipment

Of the increase, \$20,304 was funded by unexpended residual balances in various special articles and \$20,000 was funded from free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$7,045,872 (net of accumulated depreciation), an increase of \$766,634 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- New well construction in progress \$845,435.
- A fire department vehicle for \$36,907 and a water department vehicle for \$37,304.
- Fire alarm upgrade for the District of \$105,363.
- Depreciation expense of \$(258,375).

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total long-term debt outstanding was \$951,443 , all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Eileen Tela, District Accountant
 Turners Falls Fire District
 226 Millers Falls Road
 Turners Falls, MA 01376

TURNERS FALLS FIRE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,259,219
Receivables, net of allowance for uncollectibles:	
Property taxes	72,252
User fees	52,001
Departmental	7,702
Intergovernmental	334
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	27,136
Land and construction in progress	2,102,624
Capital assets, net of accumulated depreciation	4,943,248
DEFERRED OUTFLOWS OF RESOURCES	<u>7,290</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	8,471,806
LIABILITIES	
Current:	
Warrants payable	14,028
Accounts payable	54,852
Accrued payroll and withholdings	41,031
Accrued interest payable	18,225
Note payable	705,444
Other current liabilities	17,898
Current portion of long-term liabilities:	
Loans payable	34,540
Note payable	79,000
Noncurrent:	
Loans payable, net of current portion	736,903
Notes payable, net of current portion	101,000
Compensated absences	152,427
Net OPEB obligation	871,120
Net pension liability	<u>971,769</u>
TOTAL LIABILITIES	3,798,237
NET POSITION	
Invested in capital assets, net of related debt	5,388,985
Restricted for:	
Grants and other statutory restrictions	508,340
Unrestricted	<u>(1,223,756)</u>
TOTAL NET POSITION	<u>\$ 4,673,569</u>

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
General government	\$ 620,530	\$ -	\$ -	\$ -	\$ (620,530)
Public safety	1,150,861	58,236	33,650	-	(1,058,975)
Public works	578,903	618,559	-	34,571	74,227
Interest	37,345	-	-	-	(37,345)
Unallocated depreciation	170,221	-	-	-	(170,221)
Total	\$ 2,557,860	\$ 676,795	\$ 33,650	\$ 34,571	(1,812,844)
		General Revenues:			
					1,926,667
					14,265
					2,821
					(9,633)
					5,594
					(20,000)
					1,919,714
					Change in Net Position
					106,870
		Net Position:			
					4,566,699
					\$ 4,673,569

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Water</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 733,505	\$ 492,159	\$ 33,555	\$ 1,259,219
Receivables:				
Property taxes	76,844	-	-	76,844
Tax liens and foreclosures	57,552	-	-	57,552
User fees	-	52,001	-	52,001
Departmental	1,963	-	5,739	7,702
Intergovernmental	-	-	334	334
TOTAL ASSETS	<u>\$ 869,864</u>	<u>\$ 544,160</u>	<u>\$ 39,628</u>	<u>\$ 1,453,652</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 9,504	\$ 4,524	\$ -	\$ 14,028
Accounts payable	-	54,852	-	54,852
Accrued payroll and withholdings	34,801	6,230	-	41,031
Note payable	-	705,444	-	705,444
Other liabilities	8,056	8,928	914	17,898
TOTAL LIABILITIES	52,361	779,978	914	833,253
DEFERRED INFLOWS OF RESOURCES	127,205	-	-	127,205
Fund Balances:				
Reserved for:				
Restricted	-	-	7,828	7,828
Committed	28,104	330,237	30,886	389,227
Unassigned	662,194	(566,055)	-	96,139
TOTAL FUND BALANCES	<u>690,298</u>	<u>(235,818)</u>	<u>38,714</u>	<u>493,194</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 869,864</u>	<u>\$ 544,160</u>	<u>\$ 39,628</u>	<u>\$ 1,453,652</u>

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND
 BALANCES TO NET POSITION OF GOVERNMENTAL
 ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total Governmental Fund Balances	\$	493,194
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,045,872
• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.		7,290
• Revenues are reported on the accrual basis of accounting and are not deferred until collection and are net of an allowance for uncollectible.		92,197
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(18,225)
• Long-term liabilities, including notes and loans payable, compensated absences, net OPEB obligation and net pension liability are not due and payable in the current period and therefore, are not reported in the governmental funds.		<u>(2,946,759)</u>
Net Position of Governmental Activities	\$	<u>4,673,569</u>

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Water</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 1,918,414	\$ -	\$ -	\$ 1,918,414
Penalties, interest and other taxes	14,265	-	-	14,265
Charges for services	13,665	618,559	44,571	676,795
Intergovernmental	-	34,571	33,650	68,221
Investment income	2,821	-	-	2,821
Loss on sale of property	(9,633)	-	-	(9,633)
Miscellaneous	<u>5,594</u>	<u>-</u>	<u>-</u>	<u>5,594</u>
Total Revenues	1,945,126	653,130	78,221	2,676,477
Expenditures:				
Current:				
General government	672,908	-	-	672,908
Public safety	1,080,370	-	62,004	1,142,374
Public works	-	1,423,061	-	1,423,061
Debt service	<u>133,743</u>	<u>-</u>	<u>-</u>	<u>133,743</u>
Total Expenditures	<u>1,887,021</u>	<u>1,423,061</u>	<u>62,004</u>	<u>3,372,086</u>
Excess (deficiency) of revenues over expenditures	58,105	(769,931)	16,217	(695,609)
Other Financing Sources (Uses):				
Note proceeds	70,000	-	-	70,000
Transfers out	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Change in fund balance	108,105	(769,931)	16,217	(645,609)
Fund Equity, at Beginning of Year	<u>582,193</u>	<u>534,113</u>	<u>22,497</u>	<u>1,138,803</u>
Fund Equity, at End of Year	<u>\$ 690,298</u>	<u>\$ (235,818)</u>	<u>\$ 38,714</u>	<u>\$ 493,194</u>

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net Changes in Fund Balances - Total Governmental Funds	\$ (645,609)														
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="width: 20%; text-align: right;">1,025,009</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(258,375)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for property tax receivables differ between the two statements. This amount represents the net change in deferred revenue, net of allowance for uncollectibles. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">8,253</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Issuance of debt</td> <td style="width: 20%; text-align: right;">(70,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">95,487</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">911</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, net OPEB obligation and net pension liability do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right; border-top: 1px solid black;">(48,806)</td> </tr> </table> 		Capital outlay purchases	1,025,009	Depreciation	(258,375)		8,253	Issuance of debt	(70,000)	Repayments of debt	95,487		911		(48,806)
Capital outlay purchases	1,025,009														
Depreciation	(258,375)														
	8,253														
Issuance of debt	(70,000)														
Repayments of debt	95,487														
	911														
	(48,806)														
Change in Net Position of Governmental Activities	\$ <u>106,870</u>														

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 1,825,469	\$ 1,825,469	\$ 1,825,469	\$ -
Penalties, interest and other taxes	10,000	10,000	14,265	4,265
Charges for services	14,000	14,000	13,665	(335)
Investment income	1,000	1,000	2,641	1,641
Miscellaneous	6,280	6,280	(4,039)	(10,319)
Other sources	-	40,304	40,304	-
Total Revenues and Other Sources	<u>1,856,749</u>	<u>1,897,053</u>	<u>1,892,305</u>	<u>(4,748)</u>
Expenditures and Other Uses:				
General government	736,828	736,828	672,422	64,406
Public safety	972,921	983,225	980,437	2,788
Debt service	147,000	147,000	133,743	13,257
Transfers out and other uses	-	30,000	30,000	-
Total Expenditures and Other Uses	<u>1,856,749</u>	<u>1,897,053</u>	<u>1,816,602</u>	<u>80,451</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,703</u>	<u>\$ 75,703</u>

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	OPEB Trust <u>Fund</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>20,005</u>
Total Assets	<u>20,005</u>
 <u>NET POSITION</u>	
Total Net Position	\$ <u><u>20,005</u></u>

The accompanying notes are an integral part of these financial statements.

TURNERS FALLS FIRE DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	<u>OPEB</u> <u>Trust Fund</u>
Additions	
Investment income	\$ <u>5</u>
Net increase, before transfers	5
Transfer in	<u>20,000</u>
Net increase, after transfers	20,005
Net position	
Beginning of year	<u>-</u>
End of year	\$ <u><u>20,005</u></u>

The accompanying notes are an integral part of these financial statements.

Turners Falls Fire District

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Turners Falls Fire District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes, fees and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *water fund* is used to account for all water revenues and related expenses, except for debt service, which is accounted for in the general fund.

- The *special revenue fund* is used to account for federal and state grant activity.

The *OPEB trust fund* accumulates resources for other post-employment retiree benefits for qualified employees.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with initial individual costs as detailed below and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	Initial Cost <u>Over</u>
Land improvements	20	\$ 25,000
Buildings	40	100,000
Building improvements	20	50,000
Water/sewer infrastructure	50	150,000
Vehicles and equipment	5	5,000

F. Compensated Absences

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The District’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds

are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., District Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All remaining net position is reported as unrestricted.

I. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual District meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by District

meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special District meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the total departmental budget as voted. Certain items may exceed the departmental budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 1,945,126	\$ 1,887,021
Other financing sources/uses (GAAP basis)	70,000	20,000
Remove the effect of consolidating the Stabilization and General Fund	(180)	10,000
Adjust tax revenue to accrual basis	(92,945)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(53,707)
Add end of year appropriation carryforwards to expenditures	-	28,104
Reverse GAAP adjustments	-	(4,816)
Adjust for note proceeds and related appropriations which were budgeted in a prior year; received and spent in the current year	(70,000)	(70,000)
Recognize use of fund balance as funding source	<u>40,304</u>	<u>-</u>
Budgetary basis	<u>\$ 1,892,305</u>	<u>\$ 1,816,602</u>

D. Deficit Fund Equity

The Water fund had an unrestricted fund balance deficit as of June 30, 2015 of \$(566,055) due to an ongoing construction project that will be funded by a Massachusetts Clean Water Trust loan in fiscal year 2016.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The District does not have a deposit policy for custodial credit risk.

As of June 30, 2015, none of the District's bank balance of \$1,294,097 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the District's name.

4. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Town of Montague's Board of Assessors for 100% of the estimated fair market value. Taxes are due on a semiannual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Taxes receivable at June 30, 2015 consist of the following:

Real Estate		
2015	\$ 48,693	
2014	19,258	
2013	7,127	
Prior	<u>410</u>	75,488
Personal Property		
2015	362	
2014	837	
Prior	<u>157</u>	<u>1,356</u>
Total Current Property Tax		<u>\$ 76,844</u>
Tax Title		\$ 19,740
Foreclosures		<u>37,812</u>
Total Non-Current Property Tax		<u>\$ 57,552</u>

5. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect an estimated allowance for doubtful accounts for current property tax of \$4,592 and tax liens and foreclosures of \$30,416.

6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 823,160	\$ -	\$ -	\$ 823,160
Machinery, equipment, and furnishings	1,500,855	179,574	(27,660)	1,652,769
Infrastructure	<u>8,000,973</u>	<u>-</u>	<u>-</u>	<u>8,000,973</u>
Total capital assets, being depreciated	10,324,988	179,574	(27,660)	10,476,902
Less accumulated depreciation for:				
Buildings and improvements	(610,605)	(12,818)	-	(623,423)
Machinery, equipment, and furnishings	(953,726)	(88,154)	27,660	(1,014,220)
Infrastructure	<u>(3,738,608)</u>	<u>(157,403)</u>	<u>-</u>	<u>(3,896,011)</u>
Total accumulated depreciation	<u>(5,302,939)</u>	<u>(258,375)</u>	<u>27,660</u>	<u>(5,533,654)</u>
Total capital assets, being depreciated, net	5,022,049	(78,801)	-	4,943,248
Capital assets, not being depreciated:				
Land	613,161	-	-	613,161
Construction in progress (CIP)	<u>644,028</u>	<u>845,435</u>	<u>-</u>	<u>1,489,463</u>
Total capital assets, not being depreciated	<u>1,257,189</u>	<u>845,435</u>	<u>-</u>	<u>2,102,624</u>
Governmental activities capital assets, net	<u>\$ 6,279,238</u>	<u>\$ 766,634</u>	<u>\$ -</u>	<u>\$ 7,045,872</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Public safety	\$ 65,099
Public works	23,055
Unallocated	<u>170,221</u>
Total depreciation expense - governmental activities	<u>\$ 258,375</u>

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balance as of June 30, 2015:

	<u>Entity-wide Basis</u>
	<u>Governmental</u>
	<u>Activities</u>
Net difference between projected and actual pension investment earnings	\$ 7,290

8. Warrants and Accounts Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015 as permitted by law. Accounts payable represents additional 2015 expenditures paid after July 15, 2015.

9. Note Payable

In May 2014, the District was awarded a loan through the Massachusetts Clean Water Trust (MCWT) for \$828,674 for the Hannegan Brook well pump station project. Of the total loan award, \$34,571 will be subsidized (principal forgiven) by Federal grant funds passed through MCWT. Interim loan draw-downs began in fiscal year 2015 as project expenses were incurred. The interim loan is expected to be converted to long term debt by January 2016.

As of June 30, 2015, the District had drawn \$705,444 against the interim loan, which carries an interest rate of .10%. The permanent loan is expected to carry an interest rate of 2%, and be payable over 20 years.

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The balance as of June 30, 2015 represents unearned revenue.

11. Long-Term Debt

A. General Obligation Debt

The District issues USDA Rural Development Administration (RDA) loans and long-term notes to provide funds for the acquisition and construction of major capital facilities and equipment. RDA loans have been issued for general and water fund activities. Payment is not limited to a particular revenue source. General obligation debt and long term notes payable currently outstanding is as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2015
<u>RDA Loans Payable:</u>			
Millers Falls main	10/15/29	3.25%	\$ 320,864
Water filtration	12/01/30	4.75%	139,196
Grove/Goddard Hillside	12/01/30	5.00%	105,496
Water treatment	03/01/34	4.50%	<u>205,887</u>
Total Loans Payable			\$ 771,443
<u>Long term notes payable:</u>			
Fire truck	1/17/2017	2.30%	\$ 110,000
Fire alarm system	9/09/2017	1.20%	<u>70,000</u>
Total Long Term Note Payable			<u>180,000</u>
Total Long Term Debt			<u>\$ 951,443</u>

B. Future Debt Service

The annual payments to retire all RDA loans and long term notes payable outstanding as of June 30, 2015 are as follows:

	<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	113,540	\$ 34,976	\$ 148,516
2017		114,919	32,044	146,963
2018		59,356	29,054	88,410
2019		38,853	27,293	66,146
2020		40,411	25,735	66,146
2021 - 2025		227,785	102,944	330,729
2026 - 2030		277,507	53,021	330,528
Thereafter		<u>79,072</u>	<u>7,739</u>	<u>86,811</u>
Total	\$	<u>951,443</u>	\$ <u>312,806</u>	\$ <u>1,264,249</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2014 (restated)	Additions	Reductions	Total Balance June 30, 2015	Less Current Portion	Equals Long-Term Portion June 30, 2015
<u>Governmental Activities</u>						
Loans payable	\$ 811,930	\$ -	\$ (40,487)	\$ 771,443	\$ (34,540)	\$ 736,903
Notes payable	165,000	70,000	(55,000)	180,000	(79,000)	101,000
Other:						
Compensated absences	136,680	15,747	-	152,427	-	152,427
Net OPEB obligation	780,521	90,599	-	871,120	-	871,120
Net pension liability	1,022,019	-	(50,250)	971,769	-	971,769
Totals	<u>\$ 2,916,150</u>	<u>\$ 176,346</u>	<u>\$ (145,737)</u>	<u>\$ 2,946,759</u>	<u>\$ (113,540)</u>	<u>\$ 2,833,219</u>

12. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The government reports interfund transfers between several of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and fiduciary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2015:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund ⁽¹⁾	\$ -	\$ 30,000
Stabilization funds ⁽¹⁾	10,000	-
OPEB Trust fund	20,000	-
Grand Total	<u>\$ 30,000</u>	<u>\$ 30,000</u>

⁽¹⁾ Transfers in and out were consolidated on the Statement of Revenues, Expenditures and Changes in Fund Balance to eliminate activity reported within the general fund.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

13. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2015:

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the District's special revenue funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority (District Meeting). This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at District Meeting and the District's ambulance fund.

Unassigned - Represents amounts that are available to be spent in future periods and deficit fund balances.

Following is a breakdown of the District's fund balances at June 30, 2015:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Restricted				
Special revenue funds	\$ -	\$ -	\$ 7,828	\$ 7,828
Total Restricted	-	-	7,828	7,828
Committed				
Ambulance fund	-	-	30,886	30,886
Special articles	<u>28,104</u>	<u>330,237</u>	<u>-</u>	<u>358,341</u>
Total Committed	28,104	330,237	30,886	389,227
Unassigned				
General fund	562,249	-	-	562,249
Stabilization fund	99,945	-	-	99,945
Deficit fund balance	<u>-</u>	<u>(566,055)</u>	<u>-</u>	<u>(566,055)</u>
Total Unassigned	<u>662,194</u>	<u>(566,055)</u>	<u>-</u>	<u>96,139</u>
Total Fund Balance	<u>\$ 690,298</u>	<u>\$ (235,818)</u>	<u>\$ 38,714</u>	<u>\$ 493,194</u>

14. Subsequent Events

Refunding Debt

In July 2015 the District issued State House Serial Notes of \$450,000 to pay off the combined balance due as of June 30, 2015 on three USDA loans. The notes are payable over ten years, maturing in July 2025 and carry an interest rate of 3.01%. The refunded USDA loans were scheduled to mature in 2030 and 2034 and carried interest rates ranging from 4.5% to 5%.

15. Commitments and Contingencies

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Self-Insurance – The District participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2015 the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$200,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2015, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$3.7 million, the Trust was in a surplus position of approximately \$24.3 million.

16. Post-Employment Health Care and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their ac-

tuarily required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in the following footnote, the District provides post-employment health care and life insurance benefits for retired employees through the District's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2015, the actuarial valuation date, approximately 9 retirees, 20 spouses and 14 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides medical, prescription drug, mental health/ substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 20% of the cost of the health plan, as determined by the District. The District contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of June 30, 2015.

Annual Required Contribution (ARC)	\$ 169,408
Interest of beginning net OPEB obligation	39,026
ARC adjustment	<u>(37,914)</u>
Annual OPEB cost	170,520
Contributions made	<u>(79,921)</u>
Increase in net OPEB obligation	90,599
Net OPEB obligation - beginning of year	<u>780,521</u>
Net OPEB obligation - end of year	<u><u>\$ 871,120</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Costs</u>	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$ 170,520	47%	\$ 871,120
2014	\$ 202,413	40%	\$ 780,521
2013	\$ 204,278	36%	\$ 659,632
2012	\$ 263,909	32%	\$ 529,600
2011	\$ 253,715	29%	\$ 350,800

The District's net OPEB obligation as of June 30, 2015 is recorded as a long-term liability in the Statement of Net Position.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,102,696
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 2,102,696</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>1,031,259</u></u>
UAAL as a percentage of covered payroll	<u><u>204%</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual

results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In April 2015, the District voted to establish an OPEB trust fund under Massachusetts General Law Chapter 32B, Section 20 and made an initial transfer of \$20,000 into the fund.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation the entry age normal cost method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The actuarial assumptions included average salary increases of 2.5%, a 5% investment rate of return and an annual healthcare cost trend rate of 0% in 2015, 3% - 4% for years 2-6, which increases to a 5% long-term rate for all healthcare benefits beginning in year 7. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis.

17. Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the District are members of the Montague Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board

does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at One Avenue A, Turners Falls, MA 01376.

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five year average for those first becoming members of the MA System on or after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received attaining 20 years of service. The plan also provides for retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the District payroll on January 1, 1978, (3) voluntarily left District employment on or after that date, and (4) left accumulated annuity deductions in the fund. A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 50 for groups 1 and 2, respectively. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The District's contribution to the System for the year ended June 30, 2015 was \$189,082, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$971,769 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the District's proportion was 11.499 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$131,542. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 7,290
Total	<u>\$ 7,290</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2016 - 2019. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 1,822
2017	1,822
2018	1,823
2019	<u>1,823</u>
Total	<u>\$ 7,290</u>

Actuarial assumptions: The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	<u>Not explicitly stated</u>
Projected salary increases	<u>4.25-4.75%</u>
Investment rate of return	<u>7.75%</u>

Mortality rates were based on pre-retirement rates that reflect the RP-2000 Employees table projected 22 years with Scale AA (gender distinct). Post retirement rates reflect the RP-2000 Healthy Annuitant table projected 17 years with Scale AA (gender distinct). For disabled retirees, this table is set forward 3 years.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2013 through December 31, 2013.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block

approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	1.12%
Small/Mid Cap Equities	3.50%	0.28%
International Equities	22.00%	1.87%
Total Fixed Income	19.00%	1.14%
Private Equity	10.00%	0.98%
Private Debt	4.00%	0.33%
Real Estate	10.00%	0.65%
Hedge Funds	9.00%	0.63%
Others	8.00%	0.55%
Total	<u>100.00%</u>	<u>7.55%</u>

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

Fiscal Year Ended	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2015	\$ 1,502,441	\$ 971,769	\$ 513,424

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

18. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

19. Beginning Net Position Restatement

The beginning (July 1, 2014) net position of the District has been restated as follows:

Government-Wide Financial Statements:

As previously reported	\$ 5,588,718
GASB 68 Implementation	<u>(1,022,019)</u>
As restated	<u>\$ 4,566,699</u>

**TURNERS FALLS FIRE DISTRICT
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

**(Unaudited)
(Amounts Expressed in thousands)**

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/15	\$ -	\$ 2,103	\$ 2,103	0.0%	\$ 1,031	204%
06/30/14	\$ -	\$ 2,499	\$ 2,499	0.0%	\$ 988	253%
06/30/10	\$ -	\$ 2,904	\$ 2,904	0.0%	\$ 854	340%

See Independent Auditors' Report.

TURNERS FALLS FIRE DISTRICT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

(Unaudited)

<u>Montague Contributory Retirement System</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	<u>11.499%</u>
Proportionate share of the net pension liability for the most recent measurement date	<u>\$ 971,769</u>
Covered-employee payroll for the most recent measurement date	<u>\$ 837,812</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>116%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>80%</u>

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

TURNERS FALLS FIRE DISTRICT
 SCHEDULE OF CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2015
 (Unaudited)

<u>Montague Contributory Retirement System</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 189,082
Contributions in relation to the contractually required contribution	<u>189,082</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	<u>843,144</u>
Contributions as a percentage of covered-employee payroll	<u>22%</u>

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Prudential Committee
Turners Falls Fire District
Turners Falls, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Turners Falls Fire District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 11, 2016